United Nations E/ICEF/2009/AB/L.8

Economic and Social Council

Distr.: Limited
14 August 2009

Original: English

For information

United Nations Children's Fund
Executive Board
Second regular session 2009
14-16 September 2009
Item 8 of the provisional agenda*

United Nations Children's Fund support budget for the biennium 2010-2011

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Children's Fund (UNICEF) on the biennial support budget for 2010-2011 (E/ICEF/2009/AB/L.4). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives, who provided additional information and clarifications.

Format and presentation

2. The support budget for 2010-2011 is presented for the second time in a results-based format, on the basis of a harmonized framework agreed with the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA), under which key management results are organized under a common set of 16 functions, rather than by organizational structure.

3. The Advisory Committee was informed that the presentation of the results-based budget reflected the continued efforts of UNICEF, in collaboration with UNDP and UNFPA, to refine performance indicators, baselines and targets, as well as to harmonize the terminology, the methodology for the allocation of resources, and the classification of costs under each function. The Advisory Committee also notes that at least one result which is common to the three organizations has been introduced for each function, with a view to increasing transparency and facilitating

* E/ICEF/2009/16.

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comparisons between the three organizations. **The Advisory Committee notes these efforts and the improvements that have been made. It encourages UNICEF to continue its collaboration with UNDP and UNFPA, and to further develop and harmonize the elements of the results-based framework, based on standards and a common terminology. The budget's focus on expected management results and the linkage between inputs and results could be strengthened. In the Advisory Committee's view, this is essential for making meaningful comparisons between the organizations and measuring progress over time against expected results, as well as providing greater transparency and facilitating the setting of priorities by Member States.**

4. In this connection, the Advisory Committee notes that the presentation of the results-based budget of the UNFPA for the biennium 2010-2011 (DP/FPA/2009/10) includes, for each of the 16 functions, a section entitled "accountability and funding levels" which provides information on the organizational units accountable for the key activities of that function along with the funding levels for the current and upcoming bienniums. **The Advisory Committee found this information to be useful and recommends that consideration be given to including this feature as part of the harmonized presentation.** Upon enquiry, the Advisory Committee was provided a table showing the relationship between functions and organizational units, which is attached in annex I below.

5. In its previous report on UNICEF's support budget for the biennium 2008-2009 (E/ICEF/2008/AB/L.2), the Advisory Committee had highlighted the importance of providing information on major expenditure categories under post and non-post costs in order to ensure greater budgetary transparency, and had recommended that the Executive Board consider the inclusion of such information in future budget submissions. **The Advisory Committee welcomes the addition of a new summary table in the budget document which provides the appropriation for the current biennium and the budget estimates for 2010-2011 by expenditure category (see summary table IV). The Advisory Committee is of the view that an explanation of the reasons for the variances under the different expenditure categories should also be provided, including an explanation of whether they are attributed to volume or nominal/statutory changes.**

6. The resource plan provided in table 1 of the budget document contains estimates of the resources available to the organization and the planned use of those resources during the current biennium and in 2010-2011. The Advisory Committee requested updated information on the actual income and other resources available to UNICEF in 2006-2007 and the effective use of the resources for programme, support or other activities (see annex II below). **The Advisory Committee believes that it is important to review past performance when considering the budget proposals for the upcoming biennium, and recommends that actual information on the results achieved during the previous biennium be provided in the budget document, in a format similar to that of the resource plan.**

7. A chart of the organizational structure of the secretariat of the UNICEF proposed in 2010-2011 is provided in the budget document. The Advisory Committee requested a more detailed chart showing the breakdown of divisions or offices by section, with the distribution of posts by grade (see annex III). **The Advisory Committee is of the view that the detailed format provides more clarity as to the organizational structure of UNICEF, and facilitates its**

consideration of staffing requirements as they relate to functions. It therefore recommends that this expanded organigramme be provided in future biennial support budget submissions, and also highlight proposed post changes.

Resources

8. The Advisory Committee notes that the biennial support budget for 2010-2011 is presented in a financial context of projected decreasing resources, reflecting the decline of the economic situation worldwide. As shown in table 1 of the budget document, total projected resources for the biennium 2010-2011, including an opening balance of $2,656 million, would amount to $10,419 million, an increase of $92 million, or 0.9 per cent, as compared with the total planned resources of $10,327 million for 2008-2009. For 2010-2011, total regular resources are expected to decline by $413 million, or 13.7 per cent, from $3,017 million in 2008-2009, to $2,604 million. Other resources are projected at $5,769 million, $193 million, or 3.2 per cent, lower compared to $5,962 million for 2008-2009, and total trust funds are projected at $2,046 million, reflecting an increase of $698 million, or 51.8 per cent, compared to the total of $1,348 million for 2008-2009.

9. Income from regular resources is estimated to decline from $2,284 million for the biennium 2008-2009 to $1,991 million for the biennium 2010-2011, reflecting a decrease of $293, million or 12.8 per cent. As regards the use of resources, total programme expenditures are estimated at approximately $7.5 billion. The Committee notes that UNICEF intends to maintain the level of programme expenditure from regular and other resources at some $5.5 billion, using fund balances carried over from previous bienniums to cover any shortfalls in income. The remaining $2 billion is to be utilized for the procurement of supplies and services on behalf of Governments and other entities funded by trust funds.

II. Biennial support budget for 2010-2011

10. As indicated in the budget document, the medium-term strategic plan of UNICEF, initially approved for the period 2006-2009 (E/ICEF/2005/11) and extended until the end of 2013 by Executive Board decision 2009/5, provides the basis for the strategic and financial framework for the biennium 2010-2011. The financial plan is revised on an annual basis to update the estimates of the income and expenditure projections. The proposed biennial support budget reflects the 2009 revisions to the plan.

11. The Committee notes that the biennial support budget for 2010-2011 was developed in the context of the following guidelines of the strategic plan:

- Working with partners and within UNICEF to accelerate results and impact for children;
- Ensuring that UNICEF work at all levels is informed by data, evidence, current knowledge, good practice, the lessons of evaluation and international experience;
- Striving for efficiencies and excellence in UNICEF management and operations within the framework of the organizational strategic plan, and monitoring and assessing its performance on an ongoing basis;

- Bringing a human rights perspective and striving to mainstream gender issues in all UNICEF work for children;
- Promoting, advocating for and supporting children's rights in all situations.

12. Based on the revised projections for income, the support budget would increase from $912.8 million in 2008-2009 to $975.0 million (gross) in 2010-2011, an increase of $62 million, or 6.8 per cent. The income from cost recoveries, estimated at $246.6 million, would offset the gross budget by some 25 per cent, bringing the net budget for 2010-2011 to $728.4 million. The Committee notes that the estimates for cost recoveries are based on projected expenditures of other resources and vary depending on the implementation rate of projects. Should the actual recoveries be higher or lower than the projected amount, a larger or lesser portion of the support budget would be offset, with the total approved level of the biennial support budget remaining unchanged. **The Committee recommends that the Executive Board be kept informed of any shortfalls in projected cost recoveries from other resources for the biennial support budget through its financial reports.**

13. In its previous report on the biennial support budget for 2008-2009, the Committee had noted that a larger share of the biennial support budget was charged to regular contributions than other resources contributions, even though they were growing more rapidly than regular contributions. Upon enquiry, the Committee was provided the following analyses, based on planned and actual data, of trends and ratios relating to the source of funding of the support budget as well as the percentage of regular resources used for programme activities from 1998 to 2011.

Planned	*1998-1999*	*2000-2001*	*2002-2003*	*2004-2005*	*2006-2007*	*2008-2009*	*2010-2011*
Biennial support budget (BSB)	527.5	545.5	574.2	701.9	757.4	912.8	975.0
BSB from regular resources (RR)	493.6	477.7	485.9	545.5	567.4	689.8	728.4
	94%	88%	85%	78%	75%	76%	75%
BSB from other resources and other recoveries	33.9	67.8	88.3	156.4	190.0	223.0	246.6
	6%	12%	15%	22%	25%	24%	25%
Total regular resources	**1 122.5**	**1 247.7**	**1 147.9**	**1 424.5**	**1 658.6**	**2 355.4**	**2 390.0**
% of total RR used for programmes	56%	62%	58%	62%	66%	71%	70%
% of total RR used for BSB	44%	38%	42%	38%	34%	29%	30%

Actual	*1998-1999*	*2000-2001*	*2002-2003*	*2004-2005*	*2006-2007*
Actual BSB expenditures	507.5	521.9	568.9	682.2	718.2
Actual BSB from regular resources	465.0	437.6	466.1	481.3	447.5
	92%	84%	82%	71%	62%
BSB from other resources and other recoveries	42.5	84.3	102.7	200.9	270.7
	8%	16%	18%	29%	38%
Total regular resources	**1 065.1**	**1 182.9**	**1 210.8**	**1 369.5**	**1 747.1**
% of total RR used for programmes	59%	65%	59%	66%	73%
% of total RR used for BSB	41%	35%	41%	34%	27%

14. While the planned regular resources share of the biennial support budget appears to be stable (around 75 per cent since 2004-2005), the actual data shows a progressive decline in this ratio, from 82 per cent in 2002-2003, to 71 per cent in 2004-2005 and 62 per cent in 2006-2007. **The Committee considers this to be a positive trend. It emphasizes the importance of achieving an appropriate balance among the resources for financing of the biennial support budget, without an excessive burden of the support costs being charged to regular contributions. It is also important that cost recovery arrangements be harmonized, allowing comparison of support costs across the funds and programmes, and that common methodologies are adopted for attributing the variable indirect costs of activities funded from other contributions. The Committee recommends that the basis for apportioning support costs between regular and other resources be kept under review and that this information be incorporated into future biennial support budgets.** In this connection, the Committee was informed that harmonized cost definitions had been agreed by UNDP, UNFPA and UNICEF, and that discussions continue, aimed at achieving greater consistency in the classification of costs in terms of management and development costs, or fixed indirect and variable indirect costs (DP/2009/3, paragraphs 24-28).

15. The proposed increase in the support budget reflects a cost increase of $92.2 million offset in part by a net volume decrease of $30 million. The cost increase comprises essentially $55.2 million for post-related cost adjustments and $37 million resulting from inflation and exchange rate fluctuations. As indicated in the budget document, the proposed budget was calculated using exchange rates and post adjustment multipliers as of 1 April 2009 and an annual average inflation rate of 5.0 per cent. The projected vacancy rate of 6 per cent has been maintained for Professional posts.

16. The net volume decrease reflects the combined effects of total decreases of $79 million and total increases on $49 million, as outlined in table 3 of the budget document. The volume increases are related to investments for strengthening and enhancing organizational capacity, which are also expected to yield future operational efficiencies. The five areas for which increases are proposed include the following:

(a) "VISION-One ERP" project ($27.5 million);

(b) Implementation of the International Public Sector Accounting Standards (IPSAS) ($4.8 million);

(c) Additional office space in UNICEF House ($4.6 million);

(d) Support to organizational improvements and strengthening of the audit, evaluation and ethics offices ($8.5 million);

(e) United Nations system for administration of justice ($3.6 million).

17. The volume decreases proposed result from the following:

(a) Operational efficiency gains ($34.5 million), including, inter alia, reductions in short-term staff, consultants and travel, the establishment of common operations support service centres, declining costs of telecommunications, reduced costs of premises, and harmonized cash transfers;

(b) Reductions in staff and related costs ($19.5 million);

(c) Completion of 2008-2009 investment projects ($24.9 million).

18. The Advisory Committee notes that, compared with total resources, the proportion of funds proposed to be allocated to the biennial support budget would be reduced from 11.9 per cent in 2008-2009 to 11.5 per cent in 2010-2011. Of the total resources, 88.1 per cent would be allocated to programmes, 11.5 per cent for the biennial support budget and 0.4 per cent for United Nations-mandated, centrally shared security costs.

19. The proposed cost estimates are distributed across 16 results-based functions. As indicated in paragraph 19 of the budget document, the allocation of costs to most of the functions has not changed significantly, except for function 4, programme guidance, management and oversight, which has been defined more precisely than in the previous biennium. In the 2008-2009 support budget, function 4 incorporated some 40 per cent of the total biennial budget, with all costs related to field offices, including the cost of finance, human resources, procurement and information technology functions. It has now been harmonized with that of UNDP and UNFPA, and the costs of these inputs are included in the relevant functions (functions 5, 10, 11, 12 and 13).

20. A net reduction of 15 posts is proposed under the support budget for 2010-2011, from 2,972 in 2008-2009 to 2,957 for 2010-2011, distributed among country offices (58 per cent), regional offices (11 per cent) and headquarters (31 per cent). Of the 2,957 posts, 1,105 are international Professional posts. As indicated in paragraph 44 of the budget document, the overall reduction of 15 posts results from a net increase of 4 international Professional staff, a net increase of 19 National Officers and a net decrease of 38 General Service staff.

21. The Advisory Committee notes that UNICEF has launched major information technology initiatives, including the establishment of an alternate data centre outside of Manhattan to maintain business continuity in highly critical functions during and following a disaster or crisis event that would impact the primary data centre at UNICEF House, and the consolidation of resource management functions under a single enterprise resource planning (ERP) tool for UNICEF operations worldwide, headquarters, regional offices and country offices (VISION-One ERP). The VISION-One ERP project is also intended to support the implementation of the management improvement initiatives described in paragraph 10 of the budget document, focusing on four key result areas: improved accountability and effective risk management; programme excellence; operations performance; and effective resource planning and implementation. The Committee notes that the United Nations has launched a similar initiative for the implementation of a global, integrated ERP system, as have several other entities of the United Nations system. **The Committee has consistently emphasized the need for greater cooperation and coordination in this area, and encourages UNICEF to share its experiences and lessons learned with the other organizations of the United Nations system.**

Annex I

Relationship between functions and organizational units

Functions	UNICEF 2008-2009	UNICEF 2010-2011
Executive direction and leadership	- Office of the Executive Director including Ethics and Legal Office	- Same as 2008-2009
Representation and advancement of the core mandate	- Regional Directors and Country Representatives and direct support staff	- Same as 2008-2009
Corporate policy and strategy development, planning and guidance	- Division of Policy and Practice (DPP); - Office for Research including Innocenti Research Centre (IRC).	- Division of Policy and Practice (DPP) excluding Knowledge Management and Public Advocacy; - Office of Research - including IRC; - Posts dedicated to Multiple Indicator Cluster Surveys; - Share of Chief Executives Board.
Programme guidance, management and oversight	- Programme Division (PD); - Programme guidance unit of Division of Policy and Practice (DPP); - Regional Offices (RO) excluding representation and communication; - Country offices (CO) excluding representation and communication; - Field Support Coordination Office.	- PD; - DPP — Knowledge Management and Public Advocacy; - RO — excluding representation, communication, human resources (HR), information/technology (IT), administration, supply, security and emergency. Regional Monitoring and Evaluation Office (50%); - CO — excluding representation, communication, HR, IT, supply, finance and admin), - Field Support and Coordination Office.
Procurement and supply management	- Supply division	- Supply division excluding HR, finance, admin & IT; - Supply function in RO/CO.
Emergency management	- Office of Emergency Programmes (EMOPS) (excluding Operations Centre – Security (OPSCEN))	- Same as 2008-2009 In addition: - Emergency functions in RO.
External relations and partnerships	- Governance, UN and Multilateral Affairs and Geneva Office excluding finance, HR, IT and admin.	- Same as 2008-2009

Functions	UNICEF 2008-2009	UNICEF 2010-2011
Internal and external communication: media and public relations	- Division of Communication; - CO and RO communication units.	- Same as 2008-2009
Resource mobilization and fund-raising	- Public Sector Alliances and Resource Mobilization Office	- Same as 2008-2009
Financial management	- DFAM, except Administration Section; - Fin. Mgt of Geneva Office; - Fin. Mgt component of UN reimbursements for services.	- Same as 2008-2009 In addition: - Supply Division financial management; - RO and CO Finance; - Operations Officers in all country offices.
Information and communications technology management	- Information Technology Solutions and Services Division; - IT of Geneva Office.	- Same as 2008-2009 In addition: - Supply Division (IT Mgmt); - RO and CO IT.
General administrative management	- DFAM- Administration Section and Central headquarters (HQ) costs; - Admin unit and costs of Geneva common services; - Admin component of UN reimbursements for services.	- Same as 2008-2009 In addition: - Admin unit of Supply Division; - RO and CO Admin, and Admin and finance.
Human resources management	- Division of Human Resources; - Training; - HR of Geneva Office; - Office of Ombudsperson; - Global Staff Association.	- Same as 2008-2009 In addition: - HR of Supply Division; - RO and CO HR; - HR related jointly financed activities and reimbursements.
Audit and Investigations	- Office of Internal Audit	- Office of Internal Audit; - External Audit; - Audit and Investigations related shared costs.
Corporate evaluation	- Evaluation office	- Evaluation office; - Regional M&E Office (50%); - Evaluation-related jointly financed activities (Joint Inspection Unit).
Staff security	- OPSCEN in EMOPS; - Security-related component of UN reimbursement of services.	- Same as in 2008-2009 In addition: - RO security posts;

Annex II

Resource plan: actuals 2006-2008 and estimated 2009

Actual for 2006-2007

	Regular resources		Other resources		Trust funds		Total		% of total	
	Original	Actual	Original	Actual	Original	Actual	Original	Actual	Original	Actual
1.Resources available										
Opening balance	340.0	455.0	865.0	1 403.0	278.0	332.0	1 483.0	2 190.0	21%	23%
Income										
Contributions	1 576.0	1 767.2	2 524.0	3 585.9			4 100.0	5 353.1	59%	56%
Other	98.0	366.0	29.0	45.8	1 221.0	1 602.0	1 348.0	2 013.8	19%	21%
Total income	1 674.0	2 133.2	2 553.0	3 631.7	1 221.0	1 602.0	5 448.0	7 366.8	79%	77%
Total available	2 014.0	2 588.2	3 418.0	5 034.7	1 499.0	1 934.0	6 931.0	9 556.8	100%	100%
2.Use of resources										
Programmes	1 065.0	1 278.8	2 307.0	3 107.3	1 175.0	1 630.0	4 547.0	6 016.1	85.3%	89.1%
Biennial support budget	567.4	447.5	190.0	270.7			757.4	718.2	14.2%	10.6%
Security	26.2	20.7	-				26.2	20.7	0.5%	0.3%
Total use of resources	1 658.6	1 747.1	2 497.0	3 378.0	1 175.0	1 630.0	5 330.6	6 755.1	100.0%	100.0%
3.Balance of resources	355.4	841.0	921.0	1 656.7	324.0	304.0	1 600.4	2 801.7		

2008-2009: actuals for 2008 and estimated 2009

	Regular resources		Other resources		Trust funds		Total		% of total	
	Original	Estimated	Original	Estimated	Original	Estimated	Original	Estimated	Original	Estimated
1.Resources Available										
Opening balance	733.0	824.0	1 550.0	1 536.0	229.0	305.0	2 512.0	2 665.0	24.3%	25.2%
Income										
Contributions	1 984.0	1 835.0	4 369.0	4 244.7			6 353.0	6 079.7	61.5%	57.4%
Other	300.0	174.0	43.0	27.3	1 119.0	1 646.0	1 462.0	1 847.3	14.2%	17.4%
Total income	2 284.0	2 009.0	4 412.0	4 272.0	1 119.0	1 646.0	7 815.0	7 927.0	75.7%	74.8%
Total available	3 017.0	2 833.0	5 962.0	5 808.0	1 348.0	1 951.0	10 327.0	10 592.0	100.0%	100.0%
2.Use of resources										
Programmes	1 618.0	1 561.0	3 854.0	3 767.6	1 249.0	1 648.0	6 721.0	6 976.6	87.5%	88.3%
Biennial support budget	689.8	594.0	223.0	292.4			912.8	886.4	11.9%	11.2%
Security	47.6	37.0					47.6	37.0	0.6%	0.5%
Total use of resources	2 355.4	2 192.0	4 077.0	4 060.0	1 249.0	1 648.0	7 681.4	7 900.0	100.0%	100.0%
3.Balance of resources	661.6	641.0	1 885.0	1 748.0	99.0	303.0	2 645.6	2 692.0		

Note 1: the figures shown for the original provisions are from E/ICEF/2008/AB/L.1 and E/ICEF/2009/AB/L.4; 2006-2007 opening balance for OR adjusted to apply corresponding amount to Trust funds.
Note 2: Estimated 2009 are from 2009 Medium-Term Financial Plan.

Annex III

Organization of the secretariat of UNICEF 2010-2011, including details of posts by section